

**UNITED STATES DEPARTMENT OF AGRICULTURE**

Farm Service Agency  
Washington, DC 20250

**Notice FLP-257**

1924-B, 1951-J, 1951-S,  
1955-C, 1956-B, 1962-A,  
1965-A

**For:** State and County Offices

**Implementing Farm Bill Provisions That Affect Direct Loan Servicing (DLS)**

**Approved by:** Deputy Administrator, Farm Loan Programs



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**1 Overview**

**A**

**Background**

The Farm Security and Rural Investment Act of 2002 (the Act), that was enacted on May 13, 2002, made several changes impacting DLS.

Provisions of the Act became effective when signed by the President on May 13, 2002.

**B**

**Purpose**

This notice immediately implements the changes made by the Act affecting loan servicing and property management. Code of Federal Regulations (CFR) and appropriate RD and FmHA Instructions will be revised and issued, as appropriate, as soon as possible.

**C**

**Contact**

If there are any questions about this notice, State Offices shall contact Michael Cumpton, LSPMD at 202-690-4014.

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**Disposal Date**

June 1, 2003

**Distribution**

State Offices; State Offices relay to County Offices

7-2-02

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## 2 Implementing the Act Provisions

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### A

#### COC Approving Debt Settlement

COC's approval or rejection of debt settlement or release of liability is no longer required; however, COC will be consulted for additional information about other assets or repayment ability that may be unknown to FSA. The servicing official will document COC consultation and any additional information received in FmHA 1956-1, Part VII before submission to SED for final disposition.

COC will no longer sign FmHA 1956-1, and FmHA 440-2 is no longer required for release of liability.

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### B

#### Primary Loan Servicing Interest Rate Selection

When restructuring any program loan identified in FmHA Instruction 1951-S, section 1951.901, consideration will now be given to the regular or limited resource interest rate, as appropriate, in effect on the date that a complete application for Primary Loan Servicing (PLS) was received.

Until DALR\$ is updated, County Offices shall enter data in the "Original Interest Rate" field of DALR\$ for program loans as follows. If the original interest rate for a loan is a:

- a limited resource rate **lower** than the limited resource interest rate in effect on the date a complete PLS application was received, the user shall enter the original limited resource interest rate in the "Original Interest Rate" field on the Existing Loan screen for the applicable loan
  - a limited resource rate **higher** than the limited resource interest rate in effect on the date a complete PLS application was received, the user shall enter the limited resource rate in effect at the time of a complete PLS application in the "Original Interest Rate" field on the Existing Loan Screen for the applicable loan
  - a regular interest rate **lower** than the interest rate in effect on the date a complete PLS application was received, the user shall enter the original interest rate on the "Original Interest Rate" field on the Existing Loan Screen for the applicable loan
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## 2 Implementing the Act Provisions (Continued)

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### B

#### Primary Loan Servicing Interest Rate Selection (Continued)

- a regular interest rate **higher** than the interest rate in effect on the date a complete PLS application was received, the user shall enter the regular interest rate at the time of a complete PLS application in the "Original Interest Rate" field in the Existing Loan Screen for the applicable loan.

**Note:** If the interest rate in effect on the date a complete PLS application was received is used in the "Original Interest Rate" field, the user shall add the following language to the printed DALR\$ report:

"The original interest rate on (enter loan numbers as shown on the DALR\$ report) has been adjusted according to requirements of section 331B of the Act (7 U.S.C. 1981b)."

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### C

#### COC Certification of Borrower Classification

Annual COC certification of borrower classification, as specified in FmHA Instruction 2006-W, section 2006.1103(c)(4), is no longer required and is hereby discontinued. The filing and reporting of classifications as required by sections 2006.1103(c)(2) and 2006.1103(c)(5) will continue without COC certification.

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### D

#### Inventory Property

Inventory property will continue to be advertised and sold according to Notice FLP-250 and RD Instruction 1955-C, section 1955.107; however, the timeframe for selling inventory property to qualified beginning farmers or ranchers has been extended from 75 to 135 calendar days from the date of acquisition. If the property has not been sold within 135 calendar days to a beginning farmer or rancher, it will be offered for public sale by sealed bid or auction to the highest bidder. All inventory properties must be sold no later than 165 calendar days from the date of acquisition.

In addition, it is emphasized that inventory property may be combined or divided, as feasible, to maximize the opportunity for beginning farmers and ranchers to purchase real property acquired by the Government as specified in RD Instruction 1955-B, section 1955.63(b).

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## 2 Implementing the Act Provisions (Continued)

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### E

#### **Shared Appreciation Reamortization**

Amortized Shared Appreciation Agreement (SAA) recapture, which is at nonprogram rates and terms may be reamortized according to FmHA Instruction 1951-S, section 1951.909(e)(2) even if the borrower has no program loans. Notwithstanding that provision, for all SA reamortizations the:

- maximum term may **not** exceed 25 years from the original SA amortization agreement
- SA amortization rate in effect at the time of restructure will be used as the interest rate selection criteria for program loans is not used for SA reamortizations
- default must be because of circumstances beyond the borrower's control
- the borrower must have acted in good faith in attempting to repay the recapture amount.

Until modifications are made to the DALR\$ 2000 software, SA reamortization calculations will be completed by hand.

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### F

#### **Annual Review of Borrower Assessment**

Borrower assessments will be reviewed by the servicing official only once per year instead of twice as was required by FmHA Instruction 1924-B, section 1924.55(e). This review may be completed concurrently with the year-end analysis.

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